

THE DAVIDSON ACADEMY OF NEVADA
(A DIVISION OF THE DAVIDSON INSTITUTE
FOR TALENT DEVELOPMENT)
FINANCIAL STATEMENTS,
SUPPLEMENTARY SCHEDULES
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2020



THE DAVIDSON ACADEMY OF NEVADA
(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
TABLE OF CONTENTS
JUNE 30, 2020

	<u>Page No.</u>
Independent Auditor's Report	1 – 2
Management Discussion and Analysis (Unaudited)	3 – 8
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Governmental Fund Financial Statements	
Balance Sheet – Governmental Fund	11
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities	14
Fiduciary Fund Financial Statement	
Statement of Fiduciary Net Position	15
Notes to Financial Statements	16 – 23
Required Supplementary Information	
Budgetary Comparison Schedule – Statement of Activities Governmental Fund (Unaudited)	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 – 27



INDEPENDENT AUDITOR'S REPORT

To the Governing Board of
The Davidson Academy of Nevada:

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Davidson Academy of Nevada (the School), a division of the Davidson Institute for Talent Development, a Nevada nonprofit corporation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of The Davidson Academy of Nevada as of June 30, 2020, and the respective changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedule – Statement of Activities Governmental Fund on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting to place the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
September 14, 2020

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2020

UNAUDITED – SEE INDEPENDENT AUDITOR'S REPORT

The Davidson Institute for Talent Development (the Institute) is a Nevada nonprofit corporation whose mission is to recognize and support profoundly intelligent young people and to provide opportunities for them to develop their talents. As a result of this mission, the Institute opened a public university school for profoundly gifted students in August 2006, The Davidson Academy of Nevada (the School), a division of the Davidson Institute for Talent Development.

This section of the annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2020 and should be read in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- In the thirteenth year of operation, 2019-2020, the School had a net position of \$1,429,752, a decrease of \$329,131 from the prior year.
- The Davidsons, founders of the School, provided contributions of \$2,875,000 and were the largest source of operating revenue during the year.
- The School received government funding from the State of Nevada through the Department of Education's Distributive School Account (DSA) of \$1,160,366 during the 2019-2020 operating year.
- Enrollment decreased at the School by 10 students, a 5.3% decrease, compared to the prior year. Total enrollment at the end of the 2019/2020 school year was 135 students at the Reno campus and 44 students enrolled in the Online campus. The Average Daily Enrollment (ADE) count was 142.84 students as reported by the State. The basis used to calculate funding provided by the State of Nevada in 2020 was the Hold Harmless attendance of 158 students.
- The School had no long-term debt as of June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a statement of net position (Page 9) and a statement of activities (Page 10).

The statement of net position presents information on what the School owns (assets) and what the School owes (liabilities) to determine the School's net position. The difference between what the School owns and owes, or assets and liabilities, respectively, is called net position. Assets are comprised of three categories: 1) current assets, 2) other noncurrent assets, and 3) capital assets. Current assets are items such as cash and/or items that can easily be converted into cash or have a benefit lasting less than one year. Noncurrent assets include the School's prepaid rent expense for the Jot Travis building at the University of Nevada,

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2020

UNAUDITED – SEE INDEPENDENT AUDITOR'S REPORT

Reno. Capital assets are items such as facilities, property, equipment and other items that are used in operations beyond a single fiscal year. Liabilities are also comprised of two categories: 1) current liabilities, and 2) long-term liabilities. Current liabilities are obligations, notes, or other debt that are payable within the next fiscal year. Long-term liabilities are payable beyond the next fiscal year. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences such as accrued vacation).

The government-wide financial statements outline functions of the School that are partially supported by the State of Nevada per-pupil DSA funding. The governmental activities of the School include instruction, support services, operation and maintenance of the facility.

Fund Financial Statements A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Contributions from the Davidson's are the School's largest source of funding and totaled \$2,875,000 for the fiscal year ended June 30, 2020, and are included in donations in the accompanying statement of activities. The School also received \$1,160,366 in governmental funds from the State of Nevada during the fiscal year ended June 30, 2020.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 12 and 14, respectively.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2020

UNAUDITED – SEE INDEPENDENT AUDITOR'S REPORT

Student Activities Fund The student activities fund is used to account for funds raised and earned by the various clubs and activities that are part of the School. Net assets held in this fund are restricted to student activities.

Notes to Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the School's budget process. The School adopts an annual budget and a budgetary comparison to actual results is included in the supplemental information section of this report on page 25.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,429,752 as of June 30, 2020.

The largest portion of the School's net position consists of prepaid rent which is included in current, other assets and noncurrent assets in the accompanying information below. The following presents a summary of the School's net position for the fiscal years ended June 30, 2020 and 2019:

	As of June 30, 2020	As of June 30, 2019
Current and other assets	\$ 387,046	\$ 398,610
Prepaid rent, noncurrent	1,177,010	1,373,178
Capital assets, net	171,879	199,630
Total assets	\$ 1,735,935	\$ 1,971,418
Current liabilities	\$ 127,918	\$ 53,642
Non-current liabilities	178,265	158,893
Total liabilities	\$ 306,183	\$ 212,535
Net position		
Net investment in capital assets	\$ 171,879	\$ 199,630
Restricted	1,403,595	1,629,450
Unrestricted	(145,722)	(70,197)
Total net position	\$ 1,429,752	\$ 1,758,883

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2020

UNAUDITED – SEE INDEPENDENT AUDITOR'S REPORT

Change in Net Position The School's total revenues for the fiscal year ended June 30, 2020 were \$4,402,226. The total costs of all programs and services were \$4,731,357. The following is a summary of the changes in net position for the fiscal years ended June 30, 2020 and 2019:

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Revenues		
General revenues		
Unrestricted donations	\$ 2,954,585	\$ 2,952,359
State funding – Nevada	1,156,550	1,126,140
Academy Online tuition	262,183	202,107
Restricted donations	25,092	45,725
State funding – prior year	2,418	1,064
State funding – GATE and supplies funding	1,398	6,635
Total revenues	4,402,226	4,334,030
Expenses		
Regular instruction	484,011	529,708
Regular instruction – salaries and benefits	1,977,079	1,762,033
General administration	495,023	485,578
General administration – salaries and benefits	1,528,365	1,388,720
Facilities	205,171	205,673
Depreciation and amortization	41,708	29,814
Total expenses	4,731,357	4,401,526
Change in net position	\$ (329,131)	\$ (67,496)

Included in expenses is (i) the amortization of the prepaid rent use of the School's facility totaling \$196,168 and (ii) depreciation and amortization of \$41,708. These non-cash expenses result in a negative impact of \$237,876 on net position. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The School had a 5.3% decrease in student population with the loss of 21 students at the Reno campus and addition of 11 students enrolled in the Online campus. DSA funding was not based on actual Average Daily Enrollment (ADE) of 142.84 students. Instead DSA funding for 2020 was based upon a hold harmless rate of 158 students from 2019 enrollment.
- Instruction salaries increased by approximately \$18,000 due to wage increases and by \$173,000 due to the addition of 3 new instruction positions for the Reno and Online campus. Non-instruction related salaries, which are included in general administration salaries in the statement of activities, increased by approximately \$82,000 due to the addition of two positions at the Reno campus and wage increases for staff employed in assessment, guidance, curriculum design, administration, public relations, accounting, security, and safety.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2020

UNAUDITED – SEE INDEPENDENT AUDITOR'S REPORT

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to comply with finance-related legal requirements.

Governmental Funds The reporting of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year on June 30, 2020, its governmental funds reported a total unreserved fund balance of \$32,543.

BUDGETARY HIGHLIGHTS

State of Nevada funding was within 3.25% of the budgeted amount. In terms of expenditures, actual salaries and employee benefits expenses were 3.9% lower than budgeted. The actual expenditure for Group Health insurance was 16% lower than the budgeted amount due to fewer claims for 2019/2020 and a lower than anticipated negotiated premium increase. Overall expenditures were 8% lower than budget. This is largely attributed to mandatory COVID-19 closures that restricted operations. Student testing, travel for competition related events, and public relation conferences were all impacted.

A schedule showing the original and final budget amounts compared to the School's actual financial activity is provided on page 25 as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets As of June 30, 2020, the School had invested \$171,879 in net capital assets, including classroom equipment, computers, furniture, and leasehold improvements. The School incurred \$41,708 of depreciation expense during the year. This depreciation amount represents an increase of \$11,894 from the prior year. Depreciation and amortization expense is calculated on a straight-line basis over the estimated economic useful lives of the assets and amortization expense over the lesser of the life of the lease or the leasehold improvements. Additional information on capital assets can be found in the notes to financial statements starting on page 20.

Capital assets are not reported in the governmental funds financial statements because they are not current financial resources, but they are reported in the statement of net position.

The School had no long-term obligations financed by a financial institution as of June 30, 2020.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2020

UNAUDITED – SEE INDEPENDENT AUDITOR'S REPORT

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2007 session of the Nevada Legislature, legislation was passed that provides for DSA funding to the School from the State of Nevada on a per-student basis. The School estimates annual student enrollment based on the number of students expected to continue in the School and new students accepted (based on applications received and approved) and indicating their intent to attend. The amount of per-student DSA funding is determined by the average daily student enrollment reported by the School to the State of Nevada Department of Education (Nevada DOE), which is reported daily and paid to the School on a quarterly basis.

The School estimates a 20%-25% increase in enrollment over the next year (2020-2021) and an estimated increase in approved expenses of 10%-15% due to the continued expansion of the Online campus, IT additions and upgrades, and overall increase in wages, benefits, and operating costs.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Vice President, Finance & Administration, The Davidson Academy, 9665 Gateway Drive, Suite B, Reno, NV 89521.

THE DAVIDSON ACADEMY OF NEVADA
(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
STATEMENT OF NET POSITION

AS OF JUNE 30, **2020**

Assets

Current assets

Cash	\$ 174,244
Accounts receivable	1,376
Prepaid expenses and current portion of prepaid rent	211,426

Total current assets	387,046
-----------------------------	----------------

Prepaid rent, net of current portion	1,177,010
--------------------------------------	-----------

Capital assets, net of accumulated depreciation
and amortization of \$445,830

Office furniture and equipment	1,529
Computer equipment	113,703
Leasehold improvements	56,647

Net capital assets	171,879
---------------------------	----------------

Total assets	\$ 1,735,935
---------------------	---------------------

Liabilities and Net Position

Current liabilities

Accounts payable and accrued liabilities	\$ 29,001
Deferred tuition revenue	98,917

Total current liabilities	127,918
----------------------------------	----------------

Noncurrent liabilities

Compensated absences, noncurrent	178,265
----------------------------------	---------

Total noncurrent liabilities	178,265
-------------------------------------	----------------

Total liabilities	\$ 306,183
--------------------------	-------------------

Net position

Invested in capital assets	\$ 171,879
Restricted	1,403,595
Unrestricted	(145,722)

Total net position	\$ 1,429,752
---------------------------	---------------------

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020	Expenses	Program Revenues	Total
Function/Program			
Governmental activities			
Instruction			
Regular instruction	\$ 484,011	\$ -	\$ 484,011
Regular instruction - salaries and benefits	1,977,079	-	1,977,079
Total instruction	2,461,090	-	2,461,090
Support			
General administration	495,023	-	495,023
General administration - salaries and benefits	1,528,365	-	1,528,365
Facilities	205,171	-	205,171
Depreciation and amortization	41,708	-	41,708
Total support	2,270,267	-	2,270,267
Total governmental activities	\$ 4,731,357	\$ -	\$ 4,731,357
General revenues			
Donations, restricted and unrestricted			2,979,677
State funding			1,156,550
Online campus tuition, net of financial aid and scholarships totaling \$115,400			262,183
State funding - GATE and supplies funding			1,398
State funding - Nevada prior year			2,418
Total general revenues			4,402,226
Change in net position			(329,131)
Net position - beginning of year			1,758,883
Net position - end of year			\$ 1,429,752

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

BALANCE SHEET - GOVERNMENTAL FUND

AS OF JUNE 30, 2020

General Fund

Assets

Current Assets

Cash	\$	174,244
Accounts receivable		1,376
Prepaid expenses		15,258

Total current assets 190,878

Total assets \$ 190,878

Liabilities and Fund Balance

Liabilities

Accounts payable and accrued liabilities	\$	29,001
Deferred tuition revenue		98,917

Total liabilities 127,918

Fund balance

Fund balance reserved for restricted use		30,417
Fund balance unreserved and undesignated		32,543

Total fund balance 62,960

Total liabilities and fund balance \$ 190,878

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA
 (A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
 TO THE STATEMENT OF NET POSITION

AS OF JUNE 30, 2020	General Fund
Total fund balance - total governmental fund	\$ 62,960
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the fund.	171,879
Prepaid rent is not readily available for use and therefore is not reported in the fund (Note 3).	1,373,178
Noncurrent compensated absences are not due and payable in the current period and therefore are not reported in the fund (Note 7).	(178,265)
Net position of governmental activities - governmental fund	\$ 1,429,752

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

AS OF JUNE 30, 2020

General Fund

Revenues

Donations, restricted and unrestricted	\$ 2,979,677
State sources - Nevada	1,156,550
Online campus tuition, net of financial aid and scholarships totaling \$115,400	262,183
State funding - GATE and supplies funding	1,398
State funding - DSA prior year adjustment	2,418
Total revenues	4,402,226

Expenditures

Instruction	
Regular instruction	484,011
Regular instruction - salaries and benefits	1,966,153
Total instruction	2,450,164

Support services	
General administration	495,023
General administration - salaries benefits	1,519,919
Equipment purchases	13,957
Facilities	9,003
Total support service	2,037,902

Total expenditures 4,488,066

Change in fund balance (85,840)

Fund balance - beginning of year 148,800

Fund balance - end of year \$ 62,960

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

AS OF JUNE 30, 2020	General Fund
Total change in fund balance - governmental fund	\$ (85,840)
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p>	
<p>Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, for <i>governmental activities</i> those costs are shown in the statement of net assets and allocated over their useful lives as annual depreciation expense in the statement of activities.</p>	
Capital outlays during fiscal 2020	13,957
Less: depreciation expense	(41,708)
Net expenditures for capital assets	(27,751)
<p>Certain items reported in the statement of activities, including amortization of prepaid rent, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.</p>	
	(196,168)
<p>Certain liabilities, including noncurrent compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.</p>	
	(19,372)
Change in net position of governmental activities - governmental fund	\$ (329,131)

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2020

Student Activities Fund

Assets

Cash \$ 44,886

Total assets \$ 44,886

Liabilities

Due to student clubs \$ 44,886

Total liabilities \$ 44,886

See accompanying notes to financial statements.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Davidson Academy of Nevada (the School), a division of the Davidson Institute for Talent Development, a Nevada nonprofit corporation, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity The School was organized to operate as a public university school for profoundly gifted pupils pursuant to Nevada Revised Statutes (NRS) chapter 388C and is located on the campus of the University of Nevada, Reno (UNR). During the 2019-2020 academic year which extends from August through May, the School provided instruction to 188 students ranging in age from 10 through 18 years old.

During the 2017-2018 academic year, the School began operating an Online campus, as a division of the School, with the goal of serving profoundly gifted pupils who reside outside the State of Nevada. The School charges out-of-state students of the Online campus an annual tuition and receives funding from the State of Nevada for in-state students. During the 2019-2020 academic year, which extends from August through May, the School provided instruction to 48 Online students ranging in grade from 8th – 12th grade.

The School received funding from the State of Nevada during the year ended June 30, 2020 and must comply with the reporting requirements of this funding source. However, the School is not included in any other governmental “reporting entity” as defined in GASB pronouncements, since its Governing Board has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-Wide Financial Statements The basic financial statements include both government-wide (based on the School as a whole) and fund financial statements. The government-wide financial statements (the Statement of Net Position and Statement of Activities) report information on all activities of the School, which include the governmental activities and student club activities. The governmental activities comprise of all activities of the School.

In the government-wide Statement of Net Position, the governmental activities column is reflected on a full accrual, economic resource basis that recognizes all long-term assets and receivables. The School’s net position is reported in three parts: net investment in capital assets, restricted, and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of the School’s functions. The functions are also supported by the general government revenues (distributive school funds not legally restricted for specific programs, etc.). The Statement of Activities reduces gross expenses (including depreciation) by revenues.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Basic Financial Statements – Fund Financial Statements

- i) **Governmental Fund** The financial transactions of the School are reported in the General Fund financial statements. The General Fund is the primary operating fund of the School and accounts for all revenues and expenses of the School. The General Fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The School's resources are allocated to and accounted for in the General Fund based upon the purposes for which they are intended and the means by which spending activities are controlled.
- ii) **Fiduciary Fund** The Student Activities Fund is used to account for assets held in a trustee capacity or as an agent for individuals and therefore are not available to support the School. Since by definition these assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the School, these funds are not incorporated into the government-wide financial statements.

Measurement Focus

- i) **Government-Wide Financial Statements** The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow.
- ii) **Fund Financial Statements** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenue available if it is collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt that has not matured which is recognized when due.

The accounts of the School are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups consist of the School's accounts grouped together for classification purposes in financial reporting. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Interest income is subject to accrual. Other receipts become measurable and available when cash is received by the School and are recognized as revenue at that time.

The Student Activities Fund is used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School. The reporting focus is on net position and changes in net position, and is reported using accounting principles applicable to those similar to businesses in the private sector.

THE DAVIDSON ACADEMY OF NEVADA
 (A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

Budgetary Data An annual budget is adopted for the governmental fund and is prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed combined state and private funding based on the adopted budget and subsequent amendments. During the year, an amendment to the original budget was necessary based on final student counts, the effects of which were not material. The budget presented in the supplementary data represents the budget of the School as approved by the governing board at June 30, 2020.

During the fiscal year ended June 30, 2020, state funding was within approximately 3% of the budgeted amount. Other revenues, consisting primarily of donations from the Davidson's (board members and the Founders), were less than originally budgeted due to a positive variance in actual expenditures versus budgeted expenditures.

Contributions Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts and contributions are recorded at fair value.

Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

Tuition Revenue and Expense Recognition Revenue from tuition and other income is recognized ratably over the term of the school year, which is from August to May. The School records deferred revenue based on tuition and fees received prior to the period of academic service.

Prepaid Expenses Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statement of net position (Note 3).

Capital Assets Capital assets, which include leasehold improvements, furniture, and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

It is the policy of the School to capitalize all capital assets costing more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Life
Furniture and equipment	5-7 years
Leasehold improvements	Lesser of life or lease term

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Tax-Exempt Status The School is a division of the Davidson Institute for Talent Development (the Institute), a Nevada nonprofit corporation, which has received a determination letter from the Internal Revenue Service stating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income taxes is recorded in the accompanying financial statements. In addition, the School does not have any income which it believes would subject the Institute to unrelated business income taxes. Accordingly, there is no provision for income taxes in the accompanying financial statements.

The Institute has adopted the accounting topic generally accepted in the United States of America (U.S. GAAP) for income taxes, which provides guidance for how uncertain income tax positions should be recognized, measured, presented and disclosed in the financial statements. The Institute is required to evaluate the income tax positions taken or expected to be taken to determine whether the positions are "more-likely-than-not" to be sustained upon examination by the applicable tax authority. The Institute has determined that the application of the accounting topic for income taxes does not impact the operations of the School.

The Institute files informational and income tax returns in the United States and the State of Nevada, which include the activity of the School. The Institute files its tax returns on a fiscal year and is no longer subject to income tax examinations by tax authorities for the years before 2015. No examinations are currently pending.

Compensated Absences Compensated absences consist of School employees' accrued paid time off. These absences are accumulated and the liabilities are reported on the government-wide financial statements (Note 7).

Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include prepaid rent contributed for the use and occupancy of the School's facilities. Actual results may differ from those estimates.

Concentrations of Business and Credit Risk The School's cash and cash equivalents are maintained in various bank accounts. The School has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The School believes that its credit risk is not significant.

The School received 65% of its revenue from a single donor (the Founders) and 26% of its revenue from the State of Nevada during the year ended June 30, 2020.

2. CASH

At June 30, 2020, the School had a cash balance in the amount of \$174,244. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

THE DAVIDSON ACADEMY OF NEVADA
(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3. PREPAID EXPENSES

At June 30, 2020, prepaid expenses consisted of prepaid rent of \$1,373,176 and \$15,258 of miscellaneous prepaid expenses (Note 5).

4. CAPITAL ASSETS

Capital asset balances and activities for the year ended June 30, 2020 were as follows:

	Balance, 7/1/19	Additions	Retirements	Balance, 6/30/20
Office furniture & equipment	\$ 83,236	\$ -	\$ -	\$ 83,236
Computer equipment	410,072	13,957	-	424,029
Leasehold improvements	110,444	-	-	110,444
Total, at cost	603,752	13,957	-	617,709
Less: accumulated depreciation and amortization	(404,122)	(41,708)	-	(445,830)
Capital assets, net	\$ 199,630	\$ (27,751)	\$ -	\$ 171,879

5. OPERATING LEASES

Jot Travis Building Lease Following the relocation to the Jot Travis building on the UNR campus in 2009, the School entered into a lease agreement for permanent facilities effective December 20, 2007 for a term of 20 years with annual rent of \$1. UNR received a contribution from the Davidson's which earmarked up to \$5,000,000 for leasehold improvements specifically for the use of the School. The sole rental and consideration for the use and occupancy of the facility over the term of the lease is the final construction cost of the improvements totaling \$3,727,194 plus \$1 per year. Rental expense under this lease is calculated as the annual amortization of the final construction cost of improvements over the term of the lease as of move in, which was one year subsequent to entering the lease. Rental expense amounted to \$196,169, which includes \$1 of the required annual payment and the amortization of prepaid rent for the year ended June 30, 2020.

The following is a schedule of future minimum rental payments and recognition of the prepaid rent under the above operating leases as of June 30, 2020:

Fiscal Year Ending June 30,	Cash	Prepaid Rent Expense	Total
2021	\$ 1	\$ 196,168	\$ 196,169
2022	1	196,168	196,169
2023	1	196,168	196,169
2024	1	196,168	196,169
2025	1	196,168	196,169
Thereafter	2	392,336	392,338
Total lease payments	\$ 7	\$ 1,373,176	\$ 1,373,183

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

6. RELATED PARTY TRANSACTIONS

A related party processes and pays payroll expenses on behalf of the School. During the fiscal year 2020, the School incurred \$3,505,443 in salaries and employee related costs that were reimbursed, at cost, to the related party. As of June 30, 2020, the School owed no related party reimbursable salaries.

The School participates in a 401(k) Plan through a related party (the Plan) which covers employees meeting certain qualifications. Under the terms of the Plan, employees may elect to contribute a portion of compensation up to the maximum allowable as determined by the Internal Revenue Service. Currently, the Plan does not provide for employer matching.

The Founders of the School annually provide the largest source of revenue. During the fiscal year ended June 30, 2020, the Founders made contributions of \$2,875,000 to the School (Note 1).

7. COMPENSATED ABSENCES

The current portion of compensated absences is defined as those benefits that would be liquidated with available expendable resources as a result of employees who have terminated employment within 45 days subsequent to year-end. The current portion of the cost of compensated absences is recorded as a payroll expenditure.

The long-term portions of these costs are reflected as a liability included in long-term liabilities of the School. The additions and uses of compensated absences were as follows:

Balance, 7/1/19	Additions	Uses	Balance, 6/30/20
\$ 158,893	\$ 457,665	\$ (438,293)	\$ 178,265

8. DONATED ASSETS AND SERVICES

Donated assets are reflected as contributions in the accompanying statements at their estimated value at date of receipt. The School did not receive any significant donated assets during the year ended June 30, 2020. No amounts have been reflected in the financial statements for donated services during the year since none met the recognition criteria.

9. STATE FUNDING

The Nevada Legislature provides for DSA funding to the School from the State of Nevada on a per-student basis. The School estimates annual student enrollment based on the number of students expected to continue in the School and new students accepted (based on applications received and approved) and indicating their intent to attend.

THE DAVIDSON ACADEMY OF NEVADA
(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The amount of per-student DSA funding is determined by the average daily student enrollment reported by the School to the Nevada DOE, which is reported daily and paid to the School on a quarterly basis. The School received \$1,156,550 in State funding based on student enrollment during the year ended June 30, 2020.

During the year ended June 30, 2020, the Nevada DOE also provided additional funding for educational needs which totaled \$1,398 for the year ended June 30, 2020.

10. CONTRIBUTIONS AND FUNDRAISING

Contributions Contributions are amounts received from the public and other sources as additional support of the School. In-kind contributions, if any, are valued at their estimated value at the time of the contribution. Contributions consisted of the following amounts:

During the year ended June 30,	2020
Cash - unrestricted	\$ 2,954,585
Cash - restricted	25,092
Total contributions	\$ 2,979,677

11. RISK MANAGEMENT AND CONTINGENCIES

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past year. In addition, there were no reductions in insurance coverage from those in the prior year.

The School receives funding from the State of Nevada as a public university school. Periodic audits of this program are required, the results of which could result in a refund of payments received. Management believes that any such refund would be immaterial and no such provision has been made in the accompanying financial statements.

Effects of the COVID-19 Outbreak During fiscal year 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 outbreak continues to rapidly evolve. To date, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities to mitigate the spread of the virus, which have adversely impacted global commercial activity and have contributed to significant volatility in financial markets.

Although in-person education was temporarily suspended due to COVID-19, the School was able to continue the 2019 – 2020 school year using its existing online platform. In July 2020, the School's governing board approved, and the School submitted, a formal plan to the State of Nevada to safely reopen for in-person education during the 2020 – 2021 school year. This plan was subsequently approved by the State of Nevada. As of the date of the independent auditor's report, however, most instruction continues to be remote.

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Among other outcomes, some more material than others to the School's ongoing operations and future financial condition and results, the COVID-19 outbreak and associated responses could result in a material impact to the School's future financial condition and results. At this time, it is uncertain the extent to which COVID-19 may impact the School's results of activities, cash flows and financial condition, if there is any impact at all.

12. SUBSEQUENT EVENTS

The School has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements, except as disclosed in Note 11.

REQUIRED SUPPLEMENTARY INFORMATION

THE DAVIDSON ACADEMY OF NEVADA

(A DIVISION OF THE DAVIDSON INSTITUTE FOR TALENT DEVELOPMENT)

BUDGETARY COMPARISON SCHEDULE - STATEMENT OF ACTIVITIES GOVERNMENTAL FUND

UNAUDITED - SEE INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2020	Budgetary Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
State sources	\$ 1,120,000	\$ 1,120,000	\$ 1,156,550	\$ 36,550
Tuition	315,000	315,000	262,183	(52,817)
State sources - GATE and supplies	-	-	1,398	1,398
State sources - Nevada prior year	-	-	2,418	2,418
Other	3,540,000	3,540,000	2,979,677	(560,323)
Total revenues	4,975,000	4,975,000	4,402,226	(572,774)
Expenditures				
Instruction				
Regular instruction	537,630	537,630	484,011	53,619
Regular instruction - salaries and benefits	2,130,540	2,130,540	1,977,079	153,461
Total instruction	2,668,170	2,668,170	2,461,090	207,080
Support services				
General administration	723,613	723,613	495,023	228,590
General administration - salaries and benefits	1,517,880	1,517,880	1,528,365	(10,485)
Facilities	212,025	212,025	205,171	6,854
Depreciation and amortization	39,120	39,120	41,708	(2,588)
Total support service	2,492,638	2,492,638	2,270,267	222,371
Total expenditures	5,160,808	5,160,808	4,731,357	429,451
Excess of expenditures over revenues	(185,808)	(185,808)	(329,131)	(143,323)
Net change in fund balance	(185,808)	(185,808)	(329,131)	(143,323)
Fund balance - beginning of year	1,758,883	1,758,883	1,758,883	-
Fund balance - end of year	\$ 1,573,075	\$ 1,573,075	\$ 1,429,752	\$ (143,323)

See independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Governing Board of
The Davidson Academy of Nevada:

Report on Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of The Davidson Academy of Nevada (the School), which collectively comprise the School's basic financial statements as listed in the table of contents as of and for the year ended June 30, 2020 and the related notes to the financial statements, and have issued our report thereon dated September 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
September 14, 2020